

# House File 2308 - Introduced

HOUSE FILE \_\_\_\_\_  
BY SMITH

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to consumer rental purchase agreement definitions  
2 and references contained within the consumer credit code.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 5620HH 82  
5 rn/nh/5

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1 1 Section 1. Section 423.31, subsection 4, Code 2007, is  
1 2 amended to read as follows:  
1 3 4. Every retailer at the time of making any return  
1 4 required by this section shall compute and pay to the  
1 5 department the tax due for the preceding period. The tax on  
1 6 sales prices from the sale or rental of tangible personal  
1 7 property under a consumer rental purchase agreement as defined  
1 8 in section 537.3604, subsection 3, is payable in the tax  
1 9 period of receipt.  
1 10 Sec. 2. Section 535.17, subsection 5, paragraph c, Code  
1 11 2007, is amended to read as follows:  
1 12 c. "Credit agreement" means any contract made or acquired  
1 13 by a lender to loan money, finance any transaction, or  
1 14 otherwise extend credit for any purpose, and includes all of  
1 15 the terms of the contract. "Credit agreement" does not mean a  
1 16 contract to loan money, finance a transaction, or otherwise  
1 17 extend credit by means of or pursuant to a credit card, as  
1 18 defined in section 537.1301, subsection 17, or pursuant to  
1 19 open-end credit, as defined in section 537.1301, subsection  
1 20 31, or pursuant to a home equity line of credit, as defined in  
1 21 section 535.10 whether the loan, financing, or credit is for  
1 22 consumer or business purposes or a consumer rental purchase  
1 23 agreement as defined in section 537.3604, subsection 3.  
1 24 Sec. 3. Section 537.3604, Code 2007, is amended to read as  
1 25 follows:  
1 26 537.3604 GENERAL DEFINITIONS.  
1 27 As used in this part, unless otherwise required by the  
1 28 context:  
1 29 1. "Administrator" means the administrator as designated  
1 30 in section 537.6103.  
1 31 2. "Advertisement" means a commercial message in any  
1 32 medium, including signs, window displays, and price tags, that  
1 33 promotes, directly or indirectly, a consumer rental purchase  
1 34 agreement.  
1 35 ~~3. "Cash price" means the price at which the lessor in the~~  
~~2 1 ordinary course of business would offer to sell the personal~~  
~~2 2 property to the lessee for cash on the date of the consumer~~  
~~2 3 rental purchase agreement.~~  
2 4 3. "Consumer rental purchase agreement" means an agreement  
2 5 for the use of personal property in which all of the following  
2 6 are applicable:  
2 7 a. The lessor is regularly engaged in the rental purchase  
2 8 business.  
2 9 b. The agreement is for an initial period of four months  
2 10 or less, whether or not there is any obligation beyond the  
2 11 initial period, that is automatically renewable with each  
2 12 payment and that permits the lessee to become the owner of the  
2 13 property.  
2 14 c. The lessee is a person other than an organization.  
2 15 d. The lessee takes under the consumer rental purchase  
2 16 agreement primarily for a personal, family, or household  
2 17 purpose.  
2 18 e. The amount payable under the consumer rental purchase  
2 19 agreement does not exceed twenty-five thousand dollars.  
2 20 4. "Consummation" means the time at which the lessee

2 21 enters into a consumer rental purchase agreement.  
2 22 5. "Lessee" means a natural person who rents personal  
2 23 property under a consumer rental purchase agreement for  
2 24 personal, family, or household use.  
2 25 6. "Lessor" means a person who, in the ordinary course of  
2 26 business, regularly leases, offers to lease, or arranges for  
2 27 the leasing of property under a consumer rental purchase  
2 28 agreement.  
2 29 7. "Personal property" means any property that is not real  
2 30 property under the laws of this state when it is made  
2 31 available for a consumer rental purchase agreement.  
2 32 ~~8. "Consumer rental purchase agreement" means an agreement~~  
~~2 33 for the use of personal property in which all of the following~~  
~~2 34 are applicable:~~  
2 35 a. ~~The lessor is regularly engaged in the rental purchase~~  
~~3 1 business.~~  
3 2 b. ~~The agreement is for an initial period of four months~~  
~~3 3 or less, whether or not there is any obligation beyond the~~  
~~3 4 initial period, that is automatically renewable with each~~  
~~3 5 payment and that permits the lessee to become the owner of the~~  
~~3 6 property.~~  
3 7 c. ~~The lessee is a person other than an organization.~~  
3 8 d. ~~The lessee takes under the consumer rental purchase~~  
~~3 9 agreement primarily for a personal, family, or household~~  
~~3 10 purpose.~~  
3 11 e. ~~The amount payable under the consumer rental purchase~~  
~~3 12 agreement does not exceed twenty-five thousand dollars.~~  
3 13 8. "Retail value" of personal property means the price at  
3 14 which personal property of like type, quality, and quantity  
3 15 would change hands between a willing seller and a willing  
3 16 buyer, at retail, for cash, in the particular market area at  
3 17 the time the consumer rental purchase agreement is entered  
3 18 into, which price does not include any applicable sales, use,  
3 19 privilege, excise, or documentary stamp taxes payable upon the  
3 20 transfer of such property.

3 21 Sec. 4. Section 537.3605, subsection 9, Code 2007, is  
3 22 amended to read as follows:  
3 23 9. The ~~cash price~~ retail value of the merchandise.  
3 24 Sec. 5. Section 537.3608, subsections 1 and 2, Code 2007,  
3 25 are amended to read as follows:  
3 26 1. A lessor shall not offer a consumer rental purchase  
3 27 agreement in which fifty percent of all lease payments  
3 28 necessary to acquire ownership of the leased property exceeds  
3 29 the ~~cash price~~ retail value of the leased property. When  
3 30 fifty percent of all lease payments made by a lessee equals  
3 31 the ~~cash price~~ retail value of the property disclosed to the  
3 32 lessee pursuant to section 537.3605, subsection 9, the lessee  
3 33 shall acquire ownership of the leased property and the  
3 34 agreement shall terminate.  
3 35 2. At any time after tendering an initial lease payment, a  
4 1 lessee may acquire ownership of the property that is the  
4 2 subject of the consumer rental purchase agreement by tendering  
4 3 an amount equal to the amount by which the ~~cash price~~ retail  
4 4 value of the leased property exceeds fifty percent of all  
4 5 lease payments made by the lessee.

4 6 EXPLANATION  
4 7 This bill substitutes a definition of "retail value" for  
4 8 the current definition of "cash price" contained within Code  
4 9 section 537.3604 and applicable to consumer rental purchase  
4 10 agreements. The bill defines "retail value" to refer to the  
4 11 price at which personal property of like type, quality, and  
4 12 quantity would change hands between a willing seller and a  
4 13 willing buyer, at retail, for cash, in the particular market  
4 14 area at the time the consumer rental purchase agreement is  
4 15 entered into, excluding any applicable sales, use, privilege,  
4 16 excise, or documentary stamp taxes payable upon the transfer  
4 17 of such property. The bill makes corresponding substitutions  
4 18 to refer to retail value as requiring disclosure by the lessor  
4 19 in a consumer rental purchase agreement, and with reference to  
4 20 acquiring ownership of leased personal property in specified  
4 21 circumstances.

4 22 The bill makes a technical change reordering the definition  
4 23 of "consumer rental purchase agreement" contained within Code  
4 24 section 537.3604.

4 25 LSB 5620HH 82

4 26 rn/nh/5